



FIRST-TIME HOMEBUYER PROGRAM MANUAL

Shared Appreciation: Downpayment and Closing Cost Assistance



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**EQUAL HOUSING
OPPORTUNITY**

**CITY OF CARLSBAD
FIRST-TIME HOMEBUYER PROGRAM MANUAL**

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PURPOSE OF THE PROGRAM MANUAL

The purpose of this Program Manual is to describe the City of Carlsbad First-Time Homebuyer Program and delineate the role of the City of Carlsbad, Community HousingWorks (CHW), the applicant/borrower, and the first mortgage lenders who participate in the program. This manual contains a description of the City's First-Time Homebuyer Program and includes an overview of the First-Time Homebuyer Program requirements, processing procedures and administration. The City may revise the guidelines included in this Program Manual from time to time. Public notice will be given prior to significant program changes.

The City contracts with CHW to administer the program. Applicants should contact CHW at 619-282-6647 with questions regarding eligibility and other matters related to the program.

The City encourages all eligible homebuyers to apply for its First-Time Homebuyer Program. The City also encourages first mortgage lenders to participate in this program.

GENERAL DEFINITIONS

Applicant: An Applicant is any person who applies for City Loan assistance.

Application: Application means the Applicant's application for participation in the City's First-Time Homebuyer Program. The Application will be signed and certified by the Applicant and Participating Lender. The form of Application is attached as Exhibit A.

Application Package: Application Package means the Application and supporting materials submitted by the Participating Lender and the Applicant to CHW in connection with City's First Time Homebuyer Program and more particularly described in Section II C of this Program Manual.

Appreciation: Appreciation generally means the dollar amount that constitutes the difference between the original sales price of the Home paid by the Applicant, and the price the Applicant is paid for the Home by a subsequent buyer of the Home.

Certification: Certification means a statement or certification made in connection with the City's First-Time Homebuyer Program subject to penalties of perjury.

CHW: CHW means Community Housing Works

City: City means the City of Carlsbad.

City Loan: City Loan means the down payment and closing cost shared equity loan made by the City to an eligible Applicant pursuant to the City's First –Time Homebuyer Program.

Commitment: A Commitment is a document originated and issued by CHW based on review and approval of the Application Package. A Commitment will be valid for 120 days. A Commitment will only be made if a First Mortgage Loan has been approved but not yet funded. No exceptions will be made.

Federal HOME Program: The Federal HOME Program means the Federal HOME Investment Partnership program established pursuant to the Cranston-Gonzales National Housing Act of 1990 (24 CFR Part 92).

First Mortgage Loan: The First Mortgage Loan is the purchase money first mortgage loan provided by a Participating Lender to an eligible Applicant for purchase of a Home.

First-Time Homebuyer: First-Time Homebuyer shall mean an Applicant that meets the criteria set for this Section IIA of the Program manual.

First-Time Homebuyer Program: The First-Time Homebuyer Program is the City's First-Time Homebuyer Program described in this Program Manual.

Home: A Home is the home to be purchased or actually purchased by the eligible Applicant as part of the First-Time Homebuyer Program.

Low Income Household: A Low Income Household is a household whose income does not exceed 80% of the current San Diego County median income as determined and published by the U.S. Department of Housing and Urban Development, in connection with the Federal HOME Program, and adjusted for actual household size. Income limits for Low Income Households are adjusted annually.

Participating Lender: A bank, credit union or savings and loan association meeting the requirements of the City and CHW and participating in the First-Time Homebuyer Program.

Prohibited Mortgages: A Prohibited Mortgage is a mortgage lien superior to the deed of trust securing the City Loan, other than the deed of trust securing the First Mortgage Loan.

Related Person: Related Person means any party(ies) who may have a beneficial interest in the sale or financing of the Home, other than the Participating Lender.

Shared Appreciation: Share Appreciation generally means a percentage of the Appreciation that is paid to the City upon the Applicant's sale of the Home. Shared Appreciation is 75% of the percentage which is calculated by dividing the amount of the City Loan by the original purchase price the Applicant paid for the Home. An example of how Shared Appreciation is calculated is attached as Exhibit B.

SECTION I

BORROWER ELIGIBILITY REQUIREMENTS

A. ELIGIBLE BORROWERS

1. First-Time Homebuyers. To qualify for the City's First-Time Homebuyer Program, the Applicant must be a First-Time Homebuyer, and may not, for the three years preceding the date of the Application, have either held an ownership interest in a residence or claimed a deduction for mortgage interest or taxes on real property claimed as a principal residence. The Applicant, spouse, registered domestic partner, or any other parties who will be listed on title to the Home must meet the requirements of this paragraph. Married couples and registered domestic partners are treated as the "Applicant", whether: 1) they are separated; 2) either person is applying for the loan; or 3) either person plans to be named on title.
2. Evidence of First-Time Homebuyer Status. The Participating Lender shall verify the Applicant's First-Time Homebuyer status as set forth below. (The requirements of this Section I A (2), must also be met by any other parties listed on title to the Home.)
 - a) The Participating Lender should review the 1040A, 1040EZ, or 1040 federal income tax forms for the preceding three years, including all schedules. The Applicant shall submit such forms to the Participating Lender, and the forms will be forwarded to CHW as part of the Application Package. The tax returns must be signed and dated by the Applicant in blue ink. In the event the Applicant does not have signed copies of the applicable income tax returns, the Applicant and Lender shall obtain copies of such forms from the IRS by submitting IRS form 4506-T.
 - b) If the Applicant was not obligated to file federal income tax returns for any of the preceding three (3) years, the Applicant shall provide to the Participating Lender a Certification in the form attached Exhibit C of such fact. The Participating Lender shall forward the income tax Certification to CHW as part of the Application Package.

- c) If the Applicant cannot provide copies of the preceding 3 years' tax returns, the Participating Lender or CHW may require additional information to help establish first-time homebuyer status. Such evidence may include, but is not limited to, a Certification of the First-Time Homebuyer status the form of which is attached as Exhibit D from the Applicant stating that the Applicant has not held an ownership interest in or claimed a tax deduction for a residence, copies of utility bills, and/or a signed and notarized statement from the Applicant's landlords for the previous three years.
 - d) When CHW issues a Commitment during the period between January 1 and February 15, CHW may rely on a Certification of First-Time Homebuyer status which indicates that the Applicant has not owned a home during the preceding year. After February 15, the Applicant must provide copies of the Applicant's income tax return to the Participating Lender and CHW.
3. Low Income Household. To qualify for the City's First-Time Homebuyer Program, an Applicant must qualify as a Low Income Household.
 4. Owner Occupancy. If the Applicant participates in the First-Time Homebuyer Program and purchases a Home, within 30 days following the close of escrow of the Applicant's purchase of the Home, the Applicant must occupy the Home as his or her primary place of residence. The Applicant may not lease the Home.
 5. Legal Resident. To qualify for the First-Time Homebuyer Program, Applicant(s) need not be a U.S. citizen. Legal resident aliens are eligible to apply but must show proof of status.

B. INCOME CRITERIA

1. Low Income Household. To qualify for the program, an Applicant must be a Low Income Household. The Low Income Household limits for 2011 are set forth below, and such limits will be updated annually.

Household Size	Annual Income
1 person	\$45,850
2 people	\$52,400
3 people	\$58,950
4 people	\$65,500
5 people	\$70,750
6 people	\$76,000
7 people	\$81,250
8 people	\$86,500

Effective June 30, 2011

2. Verifying and Calculating Low Income Household Status. The Participating Lender and CHW will verify and calculate the Applicant's anticipated income for the coming year in accordance with 24 CFR 92.203(a)(1)(i) and 24 CFR 92.203(b)(1).
 - a) 24 CFR 92.203(a)(1)(i) addresses verification of income and requires the Participating Lender and CHW to examine the source documents evidencing income. To verify the projected income of an Applicant, the Participating Lender should take two or more of the following steps (a) obtain a pay stub for the most recent pay period; (b) obtain an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain an income verification form from the applicant's current employer; (e) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (f) if the applicant is unemployed and has no such tax return, obtain another form of independent verification

- b) 24 CFR 92.203(b)(1) addresses the calculation of income. Pursuant to 24 CFR 92.203(b)(1), the annual income of a household is the annual income as defined under the Section 8 Housing Assistance Payments Program in 24CFR 5.609. See www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm# for information on how to calculate income pursuant to 24 CFR part 5.609.
- c) The Participating Lender shall include all income verification documentation in the Application Package submitted to CHW. The Participating Lender and CHW shall ensure that the Buyer's income complies with the Federal HOME Program guidelines. The Participating Lender's and CHW's computation should be clear, complete, and documented by third party verifications, to the greatest extent possible.
- d) Adult members, 18 years and older, of the household who have no income must complete and sign the Declaration of No Income form which is attached as Exhibit E.

C. OTHER HOUSEHOLD ELIGIBILITY REQUIREMENTS

- 1. To qualify for the First-Time Homebuyer Program, Applicants must have sufficient income and credit-worthiness to qualify for a First Mortgage Loan from a Participating Lender.
- 2. Applicants are encouraged to provide a down payment or cash investment of 3% of the total purchase price of the Home from the Applicant's personal funds for down payment, closing costs or cash reserves.
- 3. To qualify for the First-Time Homebuyer Program, an Applicant's maximum liquid assets after downpayment and closing cost contribution may not exceed \$25,000. The asset test must be met by any person who will be listed on title to the Home.
- 4. Each Applicant must participate in a First-Time Homebuyer course offered by CHW or by another HUD approved housing counseling organization approved by CHW.

D. ELIGIBLE PROPERTIES

- 1. **Any Home proposed to be purchased by an Applicant must be owner-occupied or vacant and located within the City of Carlsbad.** The City will not incur costs for tenant relocation.
- 2. Any Home proposed to be purchased by an Applicant must be single-family housing. Duplexes, triplexes or fourplexes do not qualify as eligible properties.
- 3. Properties must meet minimum health and safety standards upon occupancy. Exhibit F includes a Housing Quality Standards Inspection form.
- 4. Properties built prior to 1978 must comply with lead-based paint regulations listed at 24 CFR Part 35.

E. MAXIMUM PURCHASE PRICE

The maximum purchase price paid by the Applicant for the Home cannot exceed 95% of the median purchase price for the area, as determined by the U.S. Department of Housing and Urban Development. As of March 2008, the maximum appraised value for eligible properties is \$559,550. This number will vary from time to time.

F. LOAN PROCEDURES AND TERMS

1. The maximum City Loan amount is the lesser of 5% of the purchase price of the Home to be paid by the Applicant or \$20,000.
2. Up to 2% of the purchase price of a Home may be funded by the City Loan toward payment of closing costs. The City Loan may be used toward the down payment, closing costs, or any combination thereof.
3. The maximum combined loan to value (CLTV) of the City Loan and the First Mortgage Loan shall not exceed the maximum approved CLTV required by the Participating Lender.
4. No non-occupant co-borrowers shall be allowed.
5. Total housing cost ratio (PITI) cannot exceed 35% of Applicant's gross monthly income. The City may, but shall not be obligated, to make reasonable exceptions to this housing ratio requirement if the Applicant's monthly housing costs for the Home, as determined by the City or CHW, will increase by less than 20% as a result of purchasing the Home.
6. Total debt-to-income ratio may not exceed 45%, or 41% if obtaining an FHA loan.
7. The First Mortgage Loan may not include a prepayment penalty.
8. The origination fee charged to the Applicant for the First Mortgage Loan may not exceed 1.25% of the First Mortgage Loan amount. Discount points may be made for below par pricing only. First-Time Homebuyer Processing fees may not exceed \$350. No other mortgage broker or administrative type fees are allowed. However, other third party fees that are reasonable and customary are permitted.
9. The terms of the City Loan are designed to encourage long-term residency in the Home. The City Loan must be repaid with the Shared Appreciation when the Home is sold or rented. No Shared Appreciation is collected by the City if the eligible Applicant resides in the Home for the entire term of the City Loan. Exhibit B includes an explanation of the Shared Appreciation calculation.
10. The City Loan shall become due and payable: (a) at the time of transfer, rental, sale, of the Home; (b) thirty (30) years from the date of the City Loan; (c) when the Applicant fails to occupy the Home as a principal place of residency; (d) in the even the Applicant defaults under the documents evidencing the City Loan; or (e) in the event the Applicant refinances the City Loan and such refinance does not comply with the terms of the First-Time Homebuyer Program.
11. Junior loans and equity lines of credit, which are recorded subsequent to the deed of trust securing the First Mortgage Loan (with the exception of the City Loan) are not permitted under the First-Time Homebuyer Program.
12. The Applicant may not refinance the First Mortgage Loan unless the new loan (plus closing costs) will not exceed the then outstanding amount of the First Mortgage Loan.
13. The City Loan is not assumable.
14. A Promissory Note will evidence the City Loan and Deed of Trust will secure the City Loan. The form of the City Loan Promissory Note and Deed of Trust are attached as Exhibit G. Applicants purchasing homes will also execute a City Loan Disclosure Statement, the form of which is attached as Exhibit G.
15. The City Loan can be used with conventional, FHA, VA, and other First Mortgage loans issued by a qualified lender. First Mortgages with adjustable interest rates or negative amortization are not

permitted under the First-Time Homebuyer Program. Stated income mortgages are also not permitted under the First-Time Homebuyer Program.

16. The First Mortgage Loan must be a purchase money loan. Prohibited Mortgages are not permitted.

SECTION II

PROGRAM ADMINISTRATION AND PROCEDURES

CHW administers the First-Time Homebuyer Program. Applicants will work with Participating Lenders to apply to CHW for the First-Time Homebuyer Program at the same time that the Applicant applies for a First Mortgage Loan from a Participating Lender.

The City Loan processing procedures are designed to be consistent with standard mortgage loan processing and underwriting criteria. There are, however, some City Loan restrictions that supersede normal processing and underwriting criteria. Recognizing that there are procedural variations among Participating Lenders, the steps outlined here are meant to serve as sequential guidelines. *Please note that all elements of the processing sequence must be completed.* Exhibit H also outlines the City Loan process.

A. LENDER ELIGIBILITY

All lenders who wish to participate in the program must be enrolled as a Participating Lender. To enroll and maintain active status a lender must:

1. Be a bank, credit union, or savings and loan association.
2. Attend a lender certification course by CHW.
3. Agree to adhere to Quality Commitment Policy set forth in Exhibit I.
4. Designate a contact person for the First-Time Homebuyer Program.
5. Pay a lender certification fee of \$50.
6. Provide this Program Manual and any supporting materials to all loan processors.
7. Cooperate with the City and CHW staff in providing the best possible service to the Applicants.

In addition, all lending personnel involved with the First-Time Homebuyer Program must attend CHW training sessions and study and apply procedures listed in this Program Manual and any supporting materials.

As part of the Application Package, the Participating Lender will be required to submit a Certification that no material misstatements by the Applicant or the Participating Lender appear in the Application and other documents submitted by Participating Lender as part of the First-Time Homebuyer Program. If the Participating Lender becomes aware of any such material misstatements, whether negligently or willfully made, the Participating Lender must notify CHW and the City immediately. The Participating Lender should also be aware and inform the Applicant of penalties provided by California law if a person makes a false statement or misrepresentation for the sole purpose of participating in the First-Time Homebuyer Program. In the event the Participating Lender or the Applicant makes a material misstatement, all lawful actions will be taken to correct or mitigate the problem.

Participating Lenders are expected to be well informed about all First-Time Homebuyer Program and the City Loan terms so that they can clearly explain the First-Time Homebuyer Program to Applicants before the Applicants apply for the First-Time Homebuyer Program.

B. LOAN ORIGATION AND PROGRAM APPLICATION

1. This section II B outlines the City Loan Origination and the First-Time Application process.
2. The Applicant applies to the Participating Lender for a First Mortgage Loan and a City Loan. The Participating Lender performs standard underwriting procedures to qualify Applicant for the First Mortgage Loan. For the City Loan, the Participating Lender will also follow this Program Manual's and CHW's required underwriting requirements.
3. The Participating Lender describes terms and provisions of the First-Time Homebuyer Program and the City Loan to the Applicant and determines the Applicant's eligibility based on a review of income, prior homeownership and all other factors listed in Section I of this Program Manual.
4. The Participating Lender gives the Applicant a copy of the Application. This Application contains the required certifications below:
 - a. That the Home will be used as the Applicant's primary place of residence and that the Applicant must notify the City when the home ceases to be the Applicant's primary place of residence. The Applicant will not rent the Home or a portion of the Home to anyone else.
 - b. That the Applicant is a First-Time Homebuyer.
 - c. That the loan will not be used to acquire or replace an existing mortgage or land contract.
 - d. That the First Mortgage Loan applied for does not constitute a Prohibited Mortgage.
 - e. That all other requirements of the City First-Time Homebuyer Program and detailed in Section I have been met.
 - f. That the Applicant was not required to apply for the City's First-Time Homebuyer Program or to use a particular First Mortgage lender.
 - g. That the Applicant is a Low Income Household.
 - h. That no interest is being paid to a Related Person.
 - i. Acknowledgment that any material misstatement or fraud is made under penalty of perjury.

The Participating Lender will reject those Applications where the information submitted indicates that the Applicant does not qualify for the First-Time Homebuyer Program.

When the Lender provides the Application to the Applicant, the Lender will also provide a copy of this Program Manual, along with a copy of the City Loan Promissory Note, City Loan Deed of Trust and City Loan Disclosure Statement.

C. APPLICATION PACKET

Lender transmits an Application Package to CHW. The Application Package includes the following forms and additional documentation as required:

1. Application.
2. Complete copy of the First Mortgage Loan application.

3. The Participating Lender's calculation of the Applicant's income, on a form attached hereto as Exhibit J, and all supporting documentation. A Certification of the Applicant's assets, if any, which certification shall be in the form attached hereto as Exhibit K.
4. Lead-Based Paint Disclosure, if the Home was built prior to 1978, which shall be provided in a California Association of Realtors form.
5. Voluntary Acquisition Letter in the format attached as Exhibit L.
6. The Applicant's fully executed purchase contract for the Home, provided however, that any purchase contract must include provisions which state that the Applicant's obligation to purchase the Home is contingent on financing and Applicant should not be required to waive such contingency until Applicant receives a Commitment.
7. Appraisal and Fannie Mae Form 1004D.
8. Copy of preliminary title report for the Home.
9. Evidence of First-Time Homebuyer status in accordance with Section I A, including income tax returns of other documentation required by Section I A.
10. Evidence that the underwriting requirements in Section I F have been met.
11. Funding Request and Escrow Information Sheet, in a form provided by the title company who will close the First Mortgage Loan and the City Loan.
12. Certificate of Completion for First-Time Homebuyer Education Training Course.
13. Signed and executed copy of the Power of Attorney, if applicable.
14. Participating Lender's certification that the requirements necessary for issuance of a City Loan have been met.

*Documents submitted as part of the Application Package must be complete high quality copies of the original documents. The forms attached as Exhibits to this Manual and other forms related to the Program may be updated by the City and CHW from time to time. Updated forms for the First-Time Homebuyer will be provided by CHW to Participating Lenders as they are revised and may be ordered from CHW. *Please note that all documents must be submitted in hard-copy form and are not accepted by facsimile or e-mail.*

Mail the APPLICATION PACKAGE directly to:

Community HousingWorks
Lending Division
4305 University Ave., # 550
San Diego, CA 92105

Submission of the above mentioned forms/documents constitutes completion of the APPLICATION PACKAGE.

D. PROPERTY INSPECTION

All properties built prior to 1978 must meet HUD regulations for notification, inspection, reduction/abatement and clearance of lead-based paint hazards under Title X of the Housing and Community Development Act of 1992.

The Lender must request that CHW and/or an Independent Certified Risk Assessor (or certified equivalent) conduct a property inspection and risk assessment to ensure the subject property meets Housing Quality Standards and applicable HUD lead-based paint regulations at 24 CFR Part 35.

Prior to the close of escrow, CHW or an Independent Certified Risk Assessor will inspect the property for Housing Quality Standards and lead-based paint hazards. The Participating Lender will be notified of work needed to cure defects, if any. The City Loan may be funded upon the completion of the repairs and clearance from CHW and/or Risk Assessor.

If a determination is made that Lead-Based Paint Hazards are present on the subject property, CHW shall notify Buyer, Lender and the title company handling the First Mortgage Loan and the City Loan within 15 days of such determination and provide those parties with a copy of any and all Risk Assessment Report(s). *Reduction or abatement of all identified Lead-Based Paint Hazards must be corrected prior to close of escrow and prior to wire transfer of the City's funds.*

FHA-insured First Mortgages: In cases where the buyer obtains said mortgage, the City may substitute the FHA property inspection for a Housing Quality Standards inspection. *The FHA inspection does not, however, satisfy HUD lead-based paint regulations unless no lead-based paint hazards are found and are fully noted on the FHA inspection report.*

E. APPLICATION PROCESSING

1. Review of Application; Issuance of Commitment. CHW accepts and reviews the Application and makes a determination as to completeness, accuracy and compliance with the First-Time Homebuyer Program. If the Application is complete, accurate and demonstrates compliance with the First-Time Homebuyer Program, CHW will approve the Application. After the Application has been approved, CHW will issue a Commitment to the Participating Lender. The Commitment designates a reservation number for the Application and is valid for 120 calendar days; provided, however, that CHW may ask the Applicant for updates on any materials or information included in the Application Package at any time.
2. Process First Mortgage Loan. Participating Lender will complete the remainder of the standard mortgage application process for the First Mortgage Loan.
3. Package Turn-Around: CHW will review the Application Package and send a Commitment or denial letter to the Participating Lender 10 business days following CHW's receipt of a complete Application Package.
4. RUSH: Packages marked "RUSH" or "SUPER RUSH" etc. will not be processed ahead of other pending packages.
5. Incomplete Packages: Incomplete packages may delay the approval and subsequent issuance of the Commitment.

F. LOAN CLOSING

1. If requested by the City, CHW will promptly forward the Application Package to the City.
2. Lender and CHW forward City Loan Note and the City Loan Deed of Trust and the City Loan Disclosure Statement to selected escrow officer with escrow instruction for closing the City Loan. The buyer signs the City Loan Note and the City Loan Deed of Trust, and the City Loan Disclosure Statute.
3. Before the expiration of the 120-day Commitment and prior to close of escrow, the Lender and title company send the following documents to the City with a copy to CHW (the "Closing Package"):

- a. Signed copy of City Loan Deed of Trust, and the original City Loan Note, Truth in Lending Statement, a copy of the City Loan escrow instructions countersigned by the applicable title company, and copy of estimated HUD 1 Statement.
- b. Estimated closing statement signed by the Applicant.
- c. All outstanding loan conditions listed on the Commitment letter and/or City Loan escrow instructions.

The City and CHW then review such documents.

4. CHW or City will transfer the City Loan funds by wire to the title company. Any secondary wires that are issued due to errors on behalf of the Lender, escrow or title company will require an additional \$35.00 re-wire fee and shall be paid by the party at fault.

Participating Lenders must adhere to the time frame for the City and CHW processing period, promptly notifying CHW in writing of any loan cancellations and/or any request for a Commitment extensions.

If the Participating Lender assigns responsibility of execution of City Loan forms to escrow or title office personnel, the Participating Lender assumes full responsibility for training the personnel to comply with the requirements of this Manual.

G. CANCELLATION AND COMMITMENT EXPIRATIONS

1. Cancellations: When either the Participating Lender or Applicant decides not continue with the Application or closing of the City Loan, the Participating Lender and Applicant shall immediately notify CHW in writing. The notice to CHW must include the reason for the cancellation and the signatures of both the Participating Lender and the Applicant.
2. Expiration of Commitment: Before the Commitment has expired, the Participating Lender must either:
 - a. Submit the Closing Package to CHW;
 - b. Submit written notice of cancellation (as described in Section G.1 above); or
 - c. Request a 30 day extension of the Commitment, in writing.

Upon expiration of the Commitment, the Participating Lender must do one of the following:

- a. If the City Loan has not closed, the Participating Lender must submit a request for extension of the Commitment to CHW and provide an estimate of the closing date to CHW.
- b. If 120 days has passed since the Commitment was issued and no extension was requested, the Participating Lender must submit an entirely new Application with current income verification with a letter of explanation for the delay.

In all cases, expiration of the Commitment without the required action by the Participating Lender will result in the Participating Lender being placed on "Inactive Status", and the Participating Lender may submit no new Applications until the issue has been resolved. Failure to comply may result in the Participating Lender's removal from the list of Participating Lenders.

CHW will decide to grant a request for a commitment extension in its reasonable discretion.

SECTION III CHANGES PRIOR TO CLOSING

CHW will issue a Commitment based on the Application. The Participating Lender must immediately notify the CHW in writing of any change that could affect the Applicant's eligibility for the City Loan before the close of the City Loan. If a change in the circumstances of the Applicant is such that he/she no longer meets the City's First-Time Homebuyer Program requirements, the Commitment is automatically revoked.

For example:

1. Income: The income verified for the Commitment is valid as long as the City Loan closes during the time that the Commitment is still valid and there have been no changes which effect previously reported income. If the City Loan does not close during the period in which the Commitment is valid, all applicable City documentation must be resubmitted and income must be re-verified. If the Participating Lender becomes aware of any changes in the Applicant's income, the Participating Lender shall immediately notify CHW of such changes. The Applicant shall also notify the City of any changes in the Applicant's income. Any increase or decrease in the Applicant's income may affect the validity of the Commitment and may require the submission of a new Application Package.
2. Household Size: If there is any change in the Applicant's household size prior to closing the City Loan, the Applicant and Participating Lender must immediately notify CHW. The Application Package must be updated to reflect changes in the Applicant's household. The Participating Lender must also notify CHW.
3. Acquisition Cost: If a change in acquisition cost for the Home occurs after the Commitment and prior to closing, the Participating Lender and Applicant must immediately notify CHW. Any change in acquisition cost may affect the validity of the Commitment and require submission of a new Application Package.
4. Loan Amount: Any changes to the First Mortgage Loan amount which occur after the Commitment has been issued by and prior to closing must be reported by the Participating Lender and Applicant to CHW and the City immediately by phone, followed up with a written confirmation of such change. A changed First Mortgage Loan amount may affect the validity of the Commitment and require submission of a new Application Package.

EXHIBIT A

FORM OF APPLICATION

SHARED EQUITY: DOWNPAYMENT AND CLOSING COST ASSISTANCE
FIRST-TIME HOMEBUYER APPLICATION

Dear Applicant:

Thank you for your application to the City of Carlsbad Shared Equity: Downpayment and Closing Cost Assistance Program. The successful completion of the application process may result in your receiving a City loan. Therefore, it is very important that you take the time to read and complete each page of this application before the lender sends it to our office. You will be certifying that you understand and meet the Program Guidelines.

(1) APPLICANT #1

First Name	Middle	Last Name	Social Security Number	Age
-				
Current Address		City	State	Zip Code
Home Phone				
Occupation	Employer Name and Address		Work Phone	
(1a) Marital Status (check one)	Gender (check one)		First-time Buyer (check one)	
<input type="checkbox"/> Single <input type="checkbox"/> Divorced <input type="checkbox"/> Married	<input type="checkbox"/> Male <input type="checkbox"/> Female		<input type="checkbox"/> Yes <input type="checkbox"/> No	
1(b) Race (check one)				
<input type="checkbox"/> White <input type="checkbox"/> Black/African American <input type="checkbox"/> Asian <input type="checkbox"/> American Indian/Alaskan Native <input type="checkbox"/> Native Hawaiian/Other Pacific Islander		<input type="checkbox"/> American Indian/Alaskan Native & White <input type="checkbox"/> Asian & White <input type="checkbox"/> Black/African American & White <input type="checkbox"/> American Indian/Alaskan Native & Black/African American		
Hispanic Ethnicity (check one)				
<input type="checkbox"/> Yes <input type="checkbox"/> No				

(2) APPLICANT #2

First Name	Middle	Last Name	Social Security Number	Age
-				
Current Address		City	State	Zip Code
Home Phone				

Occupation	Employer Name and Address	Work Phone
------------	---------------------------	------------

(2a)	Marital Status (check one)	Gender (check one)	First-time Buyer (check one)
	<input type="checkbox"/> Single	<input type="checkbox"/> Male	<input type="checkbox"/> Yes
	<input type="checkbox"/> Divorced	<input type="checkbox"/> Female	<input type="checkbox"/> No
	<input type="checkbox"/> Married		
2(b)	Race (check one)		
	<input type="checkbox"/> White	<input type="checkbox"/> American Indian/Alaskan Native & White	
	<input type="checkbox"/> Black/African American	<input type="checkbox"/> Asian & White	
	<input type="checkbox"/> Asian	<input type="checkbox"/> Black/African American & White	
	<input type="checkbox"/> American Indian/Alaskan Native	<input type="checkbox"/> American Indian/Alaskan Native &	
	<input type="checkbox"/> Native Hawaiian/Other Pacific Islander	<input type="checkbox"/> Black/African American	
	Hispanic Ethnicity (check one)		
	<input type="checkbox"/> Yes		
	<input type="checkbox"/> No		

ADD ADDITIONAL SHEETS IF THERE WILL BE MORE THAN 2 PEOPLE ON TITLE.

(3) HOUSEHOLD INFORMATION: List all household members and those going on title to the property.			
Total # of persons in Household _____		Total yearly Household Income \$ _____	
Name _____	Age _____	M/F _____	Name _____
Name _____	Age _____	M/F _____	Name _____
Name _____	Age _____	M/F _____	Name _____
Name _____	Age _____	M/F _____	Name _____

FIRST-TIME HOMEBUYER PROGRAM AFFIDAVIT

By signing below each applicant makes the following certifications:

I, the undersigned, as part of my application for a Shared Equity: Downpayment and Closing Cost Assistance loan from the City of Carlsbad (the "Program"), and in connection with a purchase of a single-family home (the "Residence") and an application for a mortgage loan (the "Mortgage Loan") from a lender (the "Lender") of my choosing, do hereby state that I have carefully reviewed this document. I understand and agree with the answers on Pages One and Two, and do furthermore certify the following:

1. That those people who I expect to initially share occupancy of the Residence with me are listed on Page One and Two of the Application.
2. That my spouse or domestic partner, whether on title or not, is an Applicant for the Program and must sign this Application.

ORIGINAL SIGNATURE OF OFFICER APPROVING THE LOAN

DATE

EXHIBIT B

SAMPLE CALCULATION OF SHARED APPRECIATION

The City wants to help low income persons and families who would not be able to buy homes in the City without City funds. City resources, however, are limited. You benefited from City financial help; it is only fair that you repay the City in proportion to that benefit. That is why the City has included "Shared Appreciation" in your loan repayment. In general, the Shared Appreciation is a percentage of the difference between the price you pay for your home and the price paid to you by the new purchaser when you sell your home.

The Shared Appreciation you pay represents the benefit you received from the City Loan less a 25% credit for any capital improvements that you may have made to your home. More specifically, the Shared Appreciation is 75% of the percentage which is figured by dividing the amount of the Homebuyer Loan by the price you pay when you purchase your home. For example, if the City Loan is equal to 5% of the purchase price of your home, when you sell the home, 75% of 5% (or 3.75%) of the appreciation amount would be owed to the City as Shared Appreciation. The example below sets this out with numbers.

EXAMPLE In this example, assume the homebuyer purchases a property for the full sales price of \$400,000 with \$20,000 in City Loan assistance. When you sell the property 10 years from the time you originally purchased the home, you sell it for \$500,000.

City Homebuyer Loan (\$20,000) divided by Original purchase price (\$400,000) = 5%
Shared Appreciation: 75% of 5% = 3.75%

This means that the City will receive 3.75% of the difference between the original purchase price, and the price for which you sell it.

New Sales Price of Home	\$500,000
Original Purchase Price	<u>-\$400,000</u>
Total Appreciation Amount	\$100,000
City Share of Appreciation (3.75% of \$100,000)	<u>\$3,750</u>
Share of Appreciation That You Keep	\$96,250

Under these assumptions, if you sell your home in 10 years, the total you would owe the City is the following:

Homebuyer Loan Amount	\$20,000
City Share of Appreciation	+ \$3,750
TOTAL AMOUNT YOU OWE CITY	\$23,750

EXHIBIT C

CERTIFICATION OF TAX RETURNS

The City of Carlsbad is required to verify the financial eligibility and first-time homebuyer status of anyone receiving assistance under the Affordable Housing Program. To comply with this requirement, we ask your cooperation in supplying copies of the last three years of your tax returns. This information will be held in strict confidence and used only for the purpose of establishing your household eligibility.

I, _____, do hereby certify that I did not file a tax return for the following years:_____.

I did not file a tax return for the above described years because: _____.

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

Signature _____ Date _____

Witness Signature _____ Date _____

EXHIBIT D

CERTIFICATION OF FIRST TIME HOMEBUYER STATUS

The City of Carlsbad is required to verify the financial eligibility and first-time homebuyer status of anyone receiving assistance under the Affordable Housing Program. To comply with this requirement, we ask your cooperation in supplying copies of the last three years of your tax returns. This information will be held in strict confidence and used only for the purpose of establishing your household eligibility.

I, _____, do hereby certify that for the three years preceding the date of this certification, I have not held an ownership interest in a residence or claimed a deduction for mortgage interest or taxes on real property claims as a principal residence.

Attached please find the following additional evidence of my First-Time Homebuyer Status:

(please check if attached and attach if requested by the City or Community HousingWorks)

☐ a copy of utilities bills from my previous home(s)

☐ signed and notarized statement from my previous landlord that I rented my previous home from my landlord and did not have an ownership interest in such home.

☐ other : (describe) _____

I understand that the City may request additional evidence to help verify my First-Time Homebuyer status.

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

Signature _____ Date _____

Witness Signature _____ Date _____

EXHIBIT E

DECLARATION OF NO INCOME

The City of Carlsbad is required to verify the financial eligibility of anyone receiving assistance under the Affordable Housing Program. To comply with this requirement, we ask your cooperation in supplying the information requested in the Certification below. This information will be held in strict confidence and used only for the purpose of establishing your family eligibility.

I, _____, do hereby certify that I do NOT receive income from ANY source. I understand sources of income include, *but are not limited to*, the following:

Employment by Other(s)	Retirement Funds
Unemployment Compensation	Alimony
Social Security	Income from Assets
Workers Compensation	Pensions
Child Support	General Assistance
Education Grants/Work-Study	Disability
Self-Employment	Union Benefits
AFDC	Family Support
SSI	Annuities

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

Signature _____ Date _____

Witness Signature _____ Date _____

EXHIBIT F

HOUSING QUALITY INSPECTIONS FORM

Housing Quality Standards (HQS) Inspection Form

A. General Information

Date of Inspection: _____

Address of Inspected Unit: Street: _____

City: _____ County: _____ State: _____

Zip: _____

Name of Family: _____

Current Address of Family: Street: _____

City: _____ County: _____ State: _____

Zip: _____

Current Telephone of Family: _____

B. How to Fill Out This Checklist

- 2) Proceed through the inspection as follows:

Area	Checklist Category
Room by Room	1. Living Room 2. Kitchen 3. Bathroom 4. All Other Rooms Used for Living 5. All Secondary Rooms Not Used for Living
Outside	6. Building Exterior
Basement or Utility Room	7. Heating and Plumbing
Overall	8. General Health and Safety

- 3) Each part of the checklist will be accompanied by an explanation of the item to be inspected.
- 4) Important: For each item numbered on the checklist, check one box only (e.g., check one box only for item 1.4 "Security," in the Living Room).
- 5) In the space to the right of the description of the item, if the decision on the item is "Fail," write what repairs are necessary.
- 6) Also, if "Pass" but there are additional code items or items not consistent with rehab standards or area codes, write these in the space to the right.

1. LIVING ROOM

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
1.1	LIVING ROOM PRESENT Is there a living room?			
1.2	ELECTRICITY Are there at least two working outlets or one working outlet and one working light fixture?			
1.3	ELECTRICAL HAZARDS Is the room free from electrical hazards?			
1.4	SECURITY Are all windows and doors that are accessible from the outside lockable?			
1.5	WINDOW CONDITION Is there at least one window, and are all windows free of signs of severe deterioration or missing or broken out panes?			
1.6	CEILING CONDITION Is the ceiling sound and free from hazardous defects?			
1.7	WALL CONDITION Are the walls sound and free from hazardous defects?			
1.8	FLOOR CONDITION Is the floor sound and free from hazardous defects?			
1.9	LEAD PAINT Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
1.10	WEATHER STRIPPING Is weather stripping present and in good condition on all windows and exterior doors?			
1.11	OTHER			
1.12	OTHER			

Notes: (Give Item #)

2. KITCHEN

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
2.1	KITCHEN AREA PRESENT Is there a kitchen?			
2.2	ELECTRICITY Is there at least <i>one</i> working electric outlet and <i>one</i> working, permanently installed light fixture?			
2.3	ELECTRICAL HAZARDS Is the kitchen free from electrical hazards?			
2.4	SECURITY Are <i>all</i> windows and doors that are accessible from the outside lockable?			
2.5	WINDOW CONDITION Are all windows free of signs of deterioration or missing or broken out panes?			
2.6	CEILING CONDITION Is the ceiling sound and free from hazardous defects?			
2.7	WALL CONDITION Are the walls sound and free from hazardous defects?			
2.8	FLOOR CONDITION Is the floor sound and free from hazardous defects?			
2.9	LEAD PAINT Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
2.10	STOVE OR RANGE WITH OVEN Is there a working oven and a stove (or range) with top burners that work?			
2.11	REFRIGERATOR Is there a refrigerator that works and maintains a temperature low enough so that food does not spoil over a reasonable period of time?			

2. KITCHEN

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
2.12	SINK Is there a kitchen sink that works with hot and cold running water?			
2.13	SPACE FOR STORAGE AND PREPARATION OF FOOD Is there space to store and prepare food?			
2.14	WEATHER STRIPPING Is weather stripping present and in good condition on all windows and exterior doors?			
2.15	OTHER			
2.16	OTHER			

Notes: (Give Item #)

3. BATHROOM

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
3.1	BATHROOM (see description) Is there a bathroom?			
3.2	ELECTRICITY Is there at least <i>one</i> permanently installed light fixture?			
3.3	ELECTRICAL HAZARDS Is the bathroom free from electrical hazards?			
3.4	SECURITY Are <i>all</i> windows and doors that are accessible from the outside lockable?			
3.5	WINDOW CONDITION Are all windows free of signs of deterioration or missing or broken out panes?			
3.6	CEILING CONDITION Is the ceiling sound and free from hazardous defects?			
3.7	WALL CONDITION Are the walls sound and free from hazardous defects?			
3.8	FLOOR CONDITION Is the floor sound and free from hazardous defects?			
3.9	LEAD PAINT Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint, or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
3.10	FLUSH TOILET IN ENCLOSED ROOM IN UNIT Is there a working toilet in the unit for exclusive private use of the tenant?			
3.11	FIXED WASH BASIN OR LAVATORY IN UNIT Is there a working, permanently installed wash basin with hot and cold running water in the unit?			
3.12	TUB OR SHOWER IN UNIT Is there a working tub or shower with hot and cold running water in the unit?			
3.13	VENTILATION Are there operable windows or a working vent system?			

3. BATHROOM

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
3.14	WEATHER STRIPPING Is weather stripping present and in good condition on all windows and exterior doors?			
3.15	OTHER			
3.16	OTHER			

Notes: (Give Item #)

4. OTHER ROOMS USED FOR LIVING AND HALLS

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
4.1	ROOM CODE and ROOM LOCATION: right/left _____ front/rear _____ floor level _____	ROOM CODES 1 = Bedroom or any other room used for sleeping (regardless of type of room) 2 = Dining Room, or Dining Area 3 = Second Living Room, Family Room, Den, Playroom, TV Room 4 = Entrance Halls, Corridors, Halls, Staircases 5 = Additional Bathroom 6 = Other		
4.2	ELECTRICITY If Room Code = 1, are there at least two working outlets or one working outlet and one working, permanently installed light fixture? If Room Code does not = 1, is there a means of illumination?			
4.3	ELECTRICAL HAZARDS Is the room free from electrical hazards?			
4.4	SECURITY Are <i>all</i> windows and doors that are accessible from the outside lockable?			
4.5	WINDOW CONDITION If Room Code = 1, is there at least one window? And, regardless of Room Code, are all windows free of signs of severe deterioration or missing or broken out panes?			
4.6	CEILING CONDITION Is the ceiling sound and free from hazardous defects?			
4.7	WALL CONDITION Are the walls sound and free from hazardous defects?			
4.8	FLOOR CONDITION Is the floor sound and free from hazardous defects?			
4.9	LEAD PAINT Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint, or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
4.10	WEATHERSTRIPPING Is weather stripping present and in good condition on all windows and			

4. OTHER ROOMS USED FOR LIVING AND
HALLS

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
	exterior doors?			

4. OTHER ROOMS USED FOR LIVING AND
HALLS

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
4.11	OTHER			
4.12	OTHER			

Notes: (Give Item #)

5. ALL SECONDARY ROOMS NOT USED
FOR LIVING

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
5.1	NONE. GO TO PART 6			
5.2	SECURITY Are <i>all</i> windows and doors that are accessible from the outside lockable in each room?			
5.3	ELECTRICAL HAZARDS Are all these rooms free from electrical hazards?			
5.4	OTHER POTENTIALLY HAZARDOUS FEATURES IN ANY OF THESE ROOMS Are all of these rooms free of any other potentially hazardous features? For each room with an "other potentially hazardous feature" explain hazard and means of control of interior access to room.			
5.5	OTHER			
5.6	OTHER			

Notes: (Give Item #)

6. BUILDING EXTERIOR

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
6.1	CONDITION OF FOUNDATION Is the foundation sound and free from hazards?			
6.2	CONDITION OF STAIRS, RAILS, AND PORCHES Are all the exterior stairs, rails and porches sound and free from hazards?			
6.3	CONDITION OF ROOF AND GUTTERS Are the roof, gutters and downspouts sound and free from hazards?			
6.4	CONDITION OF EXTERIOR SURFACES Are exterior surfaces sound and free from hazards?			
6.5	CONDITION OF CHIMNEY Is the chimney sound and free from hazards?			
6.6	LEAD PAINT: EXTERIOR SURFACES Are all exterior surfaces which are accessible to children under seven years of age <i>free</i> of cracking, scaling, peeling, chipping, and loose paint, or <i>adequately treated or covered</i> to prevent exposure of such children to lead based paint hazards?			
6.7	MOBILE HOMES: TIE DOWNS If the unit is a mobile home, it is properly placed and tied down? If not a mobile home, check "Not Applicable."			
6.8	MOBILE HOMES: SMOKE DETECTORS If unit is a mobile home, does it have at least one smoke detector in working condition? If not a mobile home, check "Not Applicable."			
6.9	CAULKING Are all fixed joints including frames around doors and windows, areas around all holes for pipes, ducts, water faucets or electric conduits, and other areas, which may allow unwanted air flow appropriately caulked.			
6.10	OTHER			
6.11	OTHER			

Notes: (Give Item #)

7. HEATING, PLUMBING AND INSULATION

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
7.1	ADEQUACY OF HEATING EQUIPMENT a. Is the heating equipment capable of providing adequate heat (either directly or indirectly) to all rooms used for living? b. Is the heating equipment oversized by more than 15%? c. Are pipes and ducts located in unconditioned space insulated?			
7.2	SAFETY OF HEATING EQUIPMENT Is the unit free from unvented fuel burning space heaters, or any other types of unsafe heating conditions?			
7.3	VENTILATION AND ADEQUACY OF COOLING Does this unit have adequate ventilation and cooling by means of operable windows or a working cooling system?			
7.4	HOT WATER HEATER Is hot water heater located, equipped, and installed in a safe manner?			
7.5	WATER SUPPLY Is the unit served by an approvable public or private sanitary water supply?			
7.6	PLUMBING Is plumbing free from major leaks or corrosion that causes serious and persistent levels of rust or contamination of the drinking water?			
7.7	SEWER CONNECTION Is plumbing connected to an approvable public or private disposal system, and is it free from sewer back up?			
7.8	INSULATION Are the attic and walls appropriately insulated for regional conditions?			
7.9	OTHER			
7.10	OTHER			

Notes: (Give Item #)

For each item numbered, check one box only.

8. GENERAL HEALTH AND SAFETY

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
8.1	ACCESS TO UNIT Can the unit be entered without having to go through another unit?			
8.2	EXITS Is there an acceptable fire exit from this building that is not blocked?			
8.3	EVIDENCE OF INFESTATION Is the unit free from rats or severe infestation by mice or vermin?			
8.4	GARBAGE AND DEBRIS Is the unit free from heavy accumulation of garbage or debris inside and outside?			
8.5	REFUSE DISPOSAL Are there adequate covered facilities for temporary storage and disposal of food wastes, and are they approved by a local agency?			
8.6	INTERIOR STAIRS AND COMMON HALLS Are interior stairs and common halls free from hazards to the occupant because of loose, broken or missing steps on stairways, absent or insecure railings; inadequate lighting, or other hazards?			
8.7	OTHER INTERIOR HAZARDS Is the interior of the unit free from any other hazards not specifically identified previously?			
8.8	ELEVATORS Where local practice requires, do all elevators have a current inspection certificate? If local practice does not require this, are they working and safe?			
8.9	INTERIOR AIR QUALITY Is the unit free from abnormally high levels of air pollution from vehicular exhaust, sewer gas, fuel gas, dust, or other pollutants?			

7. HEATING, PLUMBING AND INSULATION

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
8.10	SITE AND NEIGHBORHOOD CONDITIONS Are the site and immediate neighborhood free from conditions, which would seriously and continuously endanger the health or safety of the residents?			

7. HEATING, PLUMBING AND INSULATION

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
8.11	LEAD PAINT: OWNER CERTIFICATION If the owner of the unit is required to treat or cover any interior or exterior surfaces, has the certification of compliance been obtained? If the owner was not required to treat surfaces, check "Not Applicable."			
8.12	OTHER			
8.13	OTHER			

Notes: (Give Item #)

EXHIBIT G

FORM OF CITY LOAN PROMISSORY NOTE,
CITY LOAN DEED OF TRUST, AND CITY DISCLOSURE STATEMENT

PROMISSORY NOTE

ADMINISTRATIVE COVER SHEET
(First Time Homebuyer Program)

(Remove Upon Completion)

BLANK LINES: CHECKLIST

- _____ Amount of Loan, p. 1, upper left
- _____ Date of Document, p. 1, upper right
- _____ Borrower's Name, p. 1, first paragraph
- _____ Amount of Loan, p. 1, first paragraph
- _____ Check Source of Funds, p. 1, first paragraph
- _____ Insert Contingent Interest Percent, Section 2(a)
- _____ Depreciation Percent, Section 2(b)
- _____ Original Purchase Price of the Home, Section 10
- _____ Borrower's Signatures, p. 9

NOTICE TO BORROWER:

THIS DOCUMENT CONTAINS PROVISIONS PROHIBITING ASSUMPTIONS

Promissory Note
Secured By Deed Of Trust
(First Time Homebuyer Program)

\$ _____

Carlsbad, California
_____, 200_

FOR VALUE RECEIVED, the undersigned _____ ("Borrower") promises to pay to the City of Carlsbad ("City") or order at 2965 Roosevelt Street, Suite B, Carlsbad, CA 92009 , Attention: Director, Housing and Redevelopment or such other place as the City may designate in writing, the principal sum of _____ Dollars (\$ _____), plus Contingent Interest calculated pursuant to Section 2 below (the "Loan"). The Loan consists of ☐ HOME Investment Partnerships Program funds ("HOME Funds") or ☐ City Affordable Housing Trust Fund funds (the "Affordable Housing Trust Funds").
[Please check appropriate financing source.]

1. Security. This promissory note (the "Note") is secured by a Deed of Trust dated the same date as this Note (the "Deed of Trust"). Borrower acknowledges that this Note is given in connection with the purchase of property as part of a program of the City to assist in the purchase of homes by low-income persons. Said property, including both the real property and all improvements now or hereafter erected on the property, and all easements, rights, appurtenances and all fixtures now or hereafter attached to the property shall be referred to in this City Note as the Home. The term "Home", as used herein, shall have the same meaning as the term "Security" as used in the Deed of Trust.

2. Contingent Interest.

(a) The Borrower shall pay Contingent Interest (as defined in Section 10(b)) equal to _____ percent (____%) of the Appreciation Amount, (i) in the event of a default by Borrower under this Note, or the Deed of Trust, or (ii) on the date a Transfer (as defined in Section 10(f)) is made, or (iii) in the event of any prepayment of the balance due under this Note.

(b) In the event the Appreciation Amount upon Transfer is less than zero and the Home is good condition and repair upon sale, no Contingent Interest shall be due, and the principal amount due under this Note shall be decreased by _____ percent (____%) (the Contingent Interest percentage from above) of the Depreciation Amount (as defined in subsection 10(a) below).

3. No Assumption of Note by Subsequent Buyers. Borrower(s) acknowledge(s) that this Note is given in connection with the City's HOME Funds Program or the Affordable Housing Trust Funds Program. Pursuant to the City requirement governing the use of HOME Funds and Affordable Housing Trust Funds, the loan must be repaid by the Borrower and may not be assumed by a subsequent transferee. Consequently, this Note is not assumable by transferees, but is due in full upon Transfer.

4. Repayment.

(a) Term. The term of this Note (the "Term") commences on the date of this Note and expires thirty (30) years from the date of this Note.

First Time Homebuyer Program – Low Income, Contingent Interest

1010\01\612227.1

(b) Deferral. Repayment of the principal amount of this Note shall be deferred for the Term of the Note, except as provided in subsection (c) below.

(c) Repayment in Full. The total amount of the principal and any Contingent Interest owed under this Note shall immediately become due and payable: (i) in the event of a default by the Borrower under this Note, the Deed of Trust, or the First Mortgage, (ii) on the date a Transfer (as defined in Section 10(f) below) is made whether voluntarily, involuntarily, or by operation of law and whether by deed, contract of sale, gift, devise, bequest or otherwise, (iii) in the event Borrower ceases to occupy the Home as his or her principal place of residence; or (iv) at the end of the Term of this Note as described above in subsection (a) (except as otherwise provided in Section 4(d)); or (v) by refinance of the First Mortgage if the principal amount of the refinanced First Mortgage exceeds the then outstanding balance (plus refinancing and closing costs) of the existing First Mortgage or the lender making the refinanced First Mortgage is not a bank, credit union or savings and loan association approved in advance by the City.

(d) Forgiveness of Contingent Interest. All Contingent Interest which remains unpaid and which is due under this Note at the end of the Term shall be forgiven at the end of the Term provided that Borrower is not in violation of any provision of this Note or the Deed of Trust.

5. Prepayments. Borrower may prepay all or part of the balance due under this Note; provided however, any prepayment, including a partial prepayment, must include Contingent Interest due at the time of prepayment. The amount of Contingent Interest due upon prepayment shall be determined at the time of any partial or full prepayment based on the Fair Market Value of the Home. Partial prepayments shall be allocated between payment of Contingent Interest and payment of principal in the same proportion as the ratio of each to the total amount due (principal and Contingent Interest) at the time of prepayment. Following a prepayment, the percentage of Contingent Interest due on the Loan shall be recalculated to reflect the paydown in principal owed under the Note. The recalculated Contingent Interest shall equal the outstanding principal amount of the Note divided by the original purchase price of the Home.

6. Refinance of First Mortgage; Junior Loans.

(a) The outstanding principal and Contingent Interest on this Note shall not be due upon prepayment and refinance of the First Mortgage, and the Deed of Trust shall be subordinated to the refinanced First Mortgage, provided that following such refinance, the principal amount of the refinanced First Mortgage will not exceed the then outstanding balance (plus refinancing and closing costs) of the existing First Mortgage and the lender making the refinanced First Mortgage is a bank, credit union or savings and loan association approved in advance by the City.

(b) Junior mortgage and equity lines of credit secured against the Home are prohibited.

7. Borrower Certifications and Covenant Not to Lease Home.

(a) The Borrower certifies that (i) the financial and other information previously provided in order to qualify to purchase the Home is true and correct as of the date first written above, (ii) the Borrower has not held an ownership interest in a home during the three (3)-year period immediately prior to the date of this Agreement, and (iii) the Borrower shall occupy the Home as the Borrower's principal place of residence. The Borrower shall be considered as occupying the Home if the Borrower is living in the unit for at least ten (10) months out of each calendar year. The Borrower shall provide an annual written certification to the City that the Borrower is occupying the Home as his or her principal place of residence.

(b) The Borrower shall not lease the Home to another party. Any lease in violation of this Agreement is prohibited.

8. Maintenance; Taxes; Insurance. Borrower shall maintain the Home in good repair and in a neat, clean and orderly condition. Borrower shall promptly pay all property taxes due on the Home prior to any delinquency and shall comply with the insurance requirements set forth in the Deed of Trust.

9. Non-Discrimination. The Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age, disability, sex, sexual orientation, marital status, ancestry or national origin in the sale, transfer, use, occupancy, tenure or enjoyment of the Home, nor shall the Borrower or any person claiming under or through the Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, occupancy or transfer of the Home. The foregoing covenant shall run with the land.

10. Definitions. The terms set forth in this section shall have the following meanings in this Note.

(a) "Appreciation Amount" shall mean the amount calculated by subtracting the original purchase price of the Home paid by Borrower which original price was _____ Dollars (\$_____) from one of the following amounts, as applicable: (i) in the event of a sale of the Home, the amount received by the Borrower as the sale price of the Home, as certified by the Borrower under penalty of perjury; or (ii) in the event of a Transfer other than sale of the Home, in the event of prepayment, or in the event of a default, the Fair Market Value of the Home; or (iii) in the event a creditor acquires title to the Home through a deed in lieu of foreclosure, a trustee's deed upon sale, or otherwise, the amount paid for the Home at a creditor's sale of the Home.

If the Appreciation Amount is a negative number, it shall be referred to herein as the "Depreciation Amount."

If the Home is subject to a recorded resale restriction requiring the Home to be Transferred at a restricted price, the Appreciation Amount shall be based on the actual price at which the Home is sold pursuant to such agreement, rather than on the Fair Market Value.

(b) "Contingent Interest" shall mean the interest, if any, due on the Loan, equal to (i) the amount resulting from dividing the principal amount of the Loan by the original purchase price of the Home (as set forth in Section 9(a)); (ii) multiplied by the the Appreciation Amount; (iii) multiplied by 75% (in order to provide Borrower with a 25% credit for any capital improvements that Borrower may make to the Home). Contingent Interest is sometimes referred to as "shared appreciation."

(c) "Fair Market Value" shall be determined by a real estate appraiser. The appraisal shall be made by an independent residential appraiser designated by the City. If possible, the appraisal shall be based upon the sales prices of comparable properties sold in the market area during the preceding three (3)-month period. The cost of the appraisal shall be paid by the Borrower. Nothing in this section shall preclude the Borrower and the City from establishing the Fair Market Value of the Home by mutual agreement in lieu of an appraisal pursuant to this section.

(d) "First Mortgage" shall mean the promissory note and deed of trust evidencing and securing the first mortgage loan for the Home.

(e) "Home" shall have the same meaning as the term "Security" as used in the Deed of Trust.

(f) "Transfer" shall mean any sale, assignment or transfer, voluntary or involuntary, of any interest in the Home, including, but not limited to, a fee simple interest, a joint tenancy interest, a tenancy in common interest, a life estate, a leasehold interest, or an interest evidenced by a land contract by which possession of the Home is transferred and Borrower retains title. A transfer: (i) to an existing spouse who is also an obligor under the Note; (ii) by a Borrower to a spouse where the spouse becomes the co-owner of the Home; (iii) between spouses as part of a marriage dissolution proceeding; (iv) to an existing spouse or child of the Borrower by devise or inheritance following death of the Borrower; (v) by the Borrower into an inter vivos trust in which the Borrower is the beneficiary; or (vi) by refinance of the First Mortgage provided that following such refinance, the principal amount of the refinanced First Mortgage will not exceed the then outstanding balance (plus refinancing and closing costs) of the existing First Mortgage and the lender making the refinanced First Mortgage is a bank, credit union or savings and loan association approved in advance by the City; however, the Borrower shall continue to occupy the Home as his or her principal place of residence and the Borrower shall provide written notice of such transfer to the City in the manner provided in Section 14 below.

11. Attorney Fees and Costs. Borrower agrees that if any amounts due under this Note are not paid when due, to pay in addition, all costs and expenses of collection and reasonable attorney fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

12. Joint and Several Obligations. This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

13. Certification of Purchase Price on Transfer. Upon any sale of the Home, the Borrower shall submit to the City at least fifteen (15) days prior to the close of escrow, a copy of the appraisal, and a copy of the sales contract and a written declaration, under penalty of perjury, from the Borrower and the proposed purchaser in a form acceptable to the City stating the gross sales price of the Home. The certification shall also provide that the proposed purchaser or any other party has not paid and will not pay to the Borrower, and the Borrower has not received and will not receive from the proposed purchaser or any other party, money or other consideration, including personal property, in addition to what is set forth in the sales contract. At close of escrow, Borrower shall submit to the City a copy of the HUD-1 Settlement Statement showing the purchase price paid for the Home.

14. Notice to the City of Transfers. Borrower shall provide the City with written notice of sale, assignment or transfer, voluntary or involuntary, of any interest in the Home, including, but not limited to, encumbrance of the Home with a junior deed of trust or transfer of the Home to a spouse or trust. Borrower shall provide this notice to the City no later than fifteen (15) days before the sale, assignment, or transfer occurs, except where the transfer is by devise or inheritance after death of the Borrower in which event notice shall be provided within thirty (30) days of the date of transfer.

15. Default. Any of the following shall constitute an event of default under this Note:

(a) Any failure to pay, in full, any payment required under this Note within ten (10) days of written notice that such payment is due;

(b) Any failure to occupy the Home as Borrower's principal place of residence or leasing of the Home in violation of this Note, subject to the notice and cure period set forth in the Deed of Trust ;

(c) Any failure in the performance by the Borrower of any term, condition, provision or covenant set forth in this Note subject to the notice and cure period set forth in the Deed of Trust;

(d) The occurrence of any event of default under the Deed of Trust, or other instrument securing the obligations of the Borrower under this Note or under any other promissory notes

First Time Homebuyer Program – Low Income, Contingent Interest

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hereafter issued by the Borrower to the City pursuant to the Deed of Trust, subject to notice and cure periods, if any, set forth therein;

(e) The occurrence of any event of default under the First Mortgage or any other deeds of trust secured by the Home or any covenant recorded against the Home, subject to notice and cure periods, if any, set forth therein.

16. Acceleration. Upon the declaration by the City of a default under this Note or the Deed of Trust, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note and the Deed of Trust shall at the option of the City become immediately due and payable upon written notice by the City to the Borrower without further demand.

The failure to exercise the remedy set forth above or any other remedy provided by law upon the occurrence of one or more of the foregoing events of default shall not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other default. The acceptance by the City hereof of any payment which is less than the total of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or nullify any prior exercise of any such remedy or option, without the express consent of the City, except as and to the extent otherwise provided by law.

17. No Offset. Borrower hereby waives any rights of offset it now has or may hereafter have against the City, its successors and assigns, and agrees to make the payments called for herein in accordance with the terms of this Note.

18. Waiver. Borrower and any endorsers or guarantors of this Note, for themselves, their heirs, legal representatives, successors and assigns, respectively, severally waive diligence, presentment, protest, and demand, and notice of protest, notice of dishonor and notice of non-payment of this Note, and expressly waive any rights to be released by reason of any extension of time or change in terms of payment, or change, alteration or release of any security given for the payments hereof, and expressly waive the right to plead any and all statutes of limitations as a defense to any demand on this Note or agreement to pay the same, and jointly and severally agree to pay all costs of collection when incurred, including reasonable attorneys' fees.

19. Information. The Borrower shall provide any information reasonably requested by the City in connection with the Home, including (but not limited to) any information required by the United States Department of Housing and Urban Development ("HUD") in connection with the Borrower's use of the HOME funds.

20. Entry by City. Borrower hereby grants to the City and its duly authorized representatives the right to enter the Home at reasonable times and in a reasonable manner for purposes of inspecting the Home to determine compliance with this Note and the Deed of Trust.

21. HOME Requirements; Affordable Housing Trust Fund Requirements.

(a) If the Loan is financed with HOME Funds, the Borrower shall comply with all applicable laws and regulations governing the use of the HOME funds, as set forth in 24 CFR 92 et seq. In the event of any conflict between this Note or the Deed of Trust and applicable laws and regulations governing the use of the HOME funds, the applicable laws and regulations shall govern.

(b) If the Loan is financed with Affordable Housing Trust Funds, the Borrower shall comply with all applicable laws and regulations governing the use of the Affordable Housing Trust Funds, as established by the City.

22. Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no person described in Section 22(b) below who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this contract or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activities, or have any interest in any contract, subcontract or agreement with respect to such activities, or the proceeds under the contract, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. The Borrower shall exercise due diligence to ensure that the prohibition in this Section 22(a) is followed.

(b) The conflict of interest provisions of Section 22(a) above apply to any person who is any employee, agent, consultant, or officer of the City, or any immediate family member of such person, or any elected or appointed official of the City, or any person related within the third (3rd) degree of such person.

23. Notices. Notices to the City or the Borrower required hereunder shall be given in the manner described in Section 12 of the Deed of Trust.

24. Nonliability for Negligence, Loss, or Damage. Borrower acknowledges, understands and agrees that the relationship between Borrower and the City is solely that of borrower and lender, and that City neither undertakes nor assumes any responsibility for or duty to Borrower to select, review, inspect, supervise, pass judgment on, or inform Borrower of the quality adequacy or suitability of the Home or any other matter. City owes no duty of care to protect Borrower against negligent, faulty, inadequate or defective building or construction or any condition of the Home and Borrower agrees that neither Borrower, nor Borrower heirs, successors or assigns shall ever claim, have or assert any right or action against City for any loss, damage or other matter arising out of or resulting from any condition of the Security and will hold City harmless from any liability, loss or damage for these things.

25. Indemnity. Borrower agrees to defend, indemnify, and hold City harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorneys fees that City may incur as a direct or indirect consequence of:

- (a) the making of the loan evidenced by the Note to Borrower;
- (b) Borrower's failure to perform any obligations as and when required by the Note and Deed of Trust; or
- (c) the failure at any time of any of Borrower's certifications, representations, or warranties to be true and correct.

26. Severability. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

27. No Waiver by the City. No waiver of any breach, default or failure of condition under the terms of this Note shall be implied from any failure of the City to take, or any delay by the City in taking, action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note must be made in writing and shall be limited to the express written terms of such waiver.

28. Foreclosure by First Mortgage Lender. In the event any lender of a First Mortgage forecloses on the First Mortgage, the Borrower shall use the proceeds of any sale related to such foreclosure to repay the Loan; provided, however, that if such proceeds are insufficient for Borrower to **First Time Homebuyer Program – Low Income, Contingent Interest**

repay the Loan pursuant to this Note, the City shall forgive that portion of the Loan that exceeds any proceeds of sale related to such foreclosure.

29. Controlling Law. This Note shall be construed in accordance with and be governed by the laws of the State of California.

30. Assignment by the City. The City may assign its right to receive the proceeds under this Note to any person and upon notice to the Borrower by the City all payments shall be made to the assignee.

31. Entire Agreement. This Note (along with the Deed of Trust) sets forth the entire understanding and agreement of the City and the Borrower and any amendment, alteration or interpretation of this Note must be in writing signed by both the City and the Borrower.

BORROWER

Deed of Trust

ADMINISTRATIVE COVER SHEET
(First Time Homebuyer Program)

(Remove Upon Completion)

BLANK LINES: CHECKLIST

_____ Date of Document, p. 1, first paragraph

_____ Borrower's Name, p. 1, first paragraph

_____ Trustee's Name, p. 1, first paragraph

_____ Address of Property/Home, p. 1, second paragraph

_____ Amount of Loan, p. 2, second paragraph

_____ Borrower's Signatures, p. 8

_____ Notary

NO FEE RECORDING REQUESTED PURSUANT
TO GOVERNMENT CODE SECTION 27383

When Recorded Mail To:

City of Carlsbad
2965 Roosevelt Street, Suite B
Carlsbad, CA 92009
Attention: Director, Housing and Redevelopment

NOTE TO BORROWER:

THIS DEED OF TRUST CONTAINS
PROVISIONS RESTRICTING ASSUMPTIONS

DEED OF TRUST AND SECURITY AGREEMENT

THIS DEED OF TRUST AND SECURITY AGREEMENT ("Deed of Trust") made this ____ day of _____, 200__, among the trustor, _____ ("Borrower"), _____ ("Trustee"), and the City of Carlsbad (the "City") as Beneficiary.

The Borrower, in consideration of the promises herein recited and the trust herein created, irrevocably grants, transfers, conveys and assigns to Trustee, in trust, with power of sale, the property located in the City of Carlsbad, State of California, described in the attached Exhibit A and more commonly known as: _____, California (the "Property").

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, and all fixtures now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and

TOGETHER with all articles of personal property or fixtures now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefore, whether or not the same are, or shall be attached to said building or buildings in any manner; and all of the foregoing, together with the Property, is herein referred to as the "Security."

To have and to hold the Security together with acquittances to the Trustee, its successors and assigns forever;

TO SECURE to the City the repayment of the sums ("Loan") evidenced by a promissory note to the City executed by Borrower, dated of even date herewith in the amount of _____ Dollars (\$_____) ("Note"); and

TO SECURE the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower herein contained.

BORROWER AND CITY COVENANT AND AGREE AS FOLLOWS:

1. Borrower's Estate. That Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Security, that other than this Deed of Trust, the Security is encumbered only by: that deed of trust executed by Borrower in connection with a loan made to Borrower by a first lender, securing a promissory note executed by Borrower in favor of the first lender, to assist in the purchase of the Property. Borrower agrees to warrant and defend generally the title to the Security against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring the City's interest in the Security.

2. Repayment of Loan. Borrower will promptly repay, when due, the principal and interest required by the Note. The Note contains the following provisions prohibiting assumption:

"No Assumption of Note by Subsequent Buyers. Borrower(s) acknowledge(s) that this Note is given in connection with the City's HOME Funds Program or the Affordable Housing Trust Funds Program. Pursuant to the City requirement governing the use of HOME Funds and Affordable Housing Trust Funds, the loan must be repaid by the Borrower and may not be assumed by a subsequent transferee. Consequently, this Note is not assumable by transferees, but is due in full upon Transfer."

3. Charges; Liens. Borrower will pay all taxes, assessments and other charges, fines and impositions attributable to the Security which may attain a priority over this Deed of Trust, by Borrower making any payment, when due, directly to the payee thereof. Upon request by the City, Borrower will promptly furnish to the City all notices of amounts due under this paragraph. In the event Borrower makes payment directly, Borrower will promptly discharge any lien which has priority over this Deed of Trust; provided, that Borrower will not be required to discharge any lien described in this paragraph so long as Borrower will agree in writing to the payment of the obligation secured by such lien in a manner acceptable to the City, or will, in good faith, contest such lien by, or defend enforcement of such lien in, legal proceedings which operate to prevent the enforcement of the lien or forfeiture of the Security or any part thereof.

4. Hazard Insurance. Borrower will keep the Security insured by a standard all risk property insurance policy equal to the replacement value of the Security (adjusted every five (5) years by appraisal, if requested by the City). If the Security is located in a flood plain, Borrower shall also obtain flood insurance.

The insurance carrier providing this insurance shall be licensed to do business in the State of California and be chosen by Borrower subject to approval by the City.

All insurance policies and renewals thereof will be in a form acceptable to the City and will include a standard mortgagee clause with standard lender's endorsement in favor of the City in a form acceptable to the City. The City shall have the right to hold, or cause its designated agent to hold, the policies and renewals thereof, and Borrower shall promptly furnish to the City, or its designated agent, the original insurance policies or certificates of insurance, all renewal notices and all receipts of paid premiums. In the event of loss, Borrower will give prompt notice to the insurance carrier and the City or its designated agent. The City, or its designated agent, may make proof of loss if not made promptly by Borrower. The City shall receive thirty (30) days advance notice of cancellation of any insurance policies required under this section.

Unless the City and Borrower otherwise agree in writing, insurance proceeds will be applied to restoration or repair of the Security damaged, provided such restoration or repair is economically feasible and the security of this Deed of Trust is not thereby impaired. If such restoration or repair is not economically feasible or if the security of this Deed of Trust would be impaired, the insurance proceeds will be used to repay the grant under this Deed of Trust, with the excess, if any, paid to Borrower. If the Security is abandoned by Borrower, or if Borrower fails to respond to the City, or its designated agent, within thirty (30) days from the date notice is mailed by either of them to Borrower that the insurance carrier offers to settle a claim for insurance benefits, the City, or its designated agent, is authorized to

collect and apply the insurance proceeds at the City's option either to restoration or repair of the Security or to repay the loan.

If the Security is acquired by the City, all right, title and interest of Borrower in and to any insurance policy and in and to the proceeds thereof resulting from damage to the Security prior to the sale or acquisition will pass to the City to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

5. Preservation and Maintenance of Security. Borrower will keep the Security in good repair and in a neat, clean, and orderly condition and will not commit waste or permit impairment or deterioration of the Security. If there arises a condition in contravention of this Section 5, and if the Borrower has not cured such condition within thirty (30) days after receiving a City notice of such a condition, then in addition to any other rights available to the City, the City shall have the right (but not the obligation) to perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Security to recover its cost of curing.

6. Protection of the City's Security. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust or if any action or proceeding is commenced which materially affects the City's interest in the Security, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then the City, at the City's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as it determines necessary to protect the City's interest, including but not limited to, disbursement of reasonable attorney's fees and entry upon the Security to make repairs.

Any amounts disbursed by the City pursuant to this paragraph, with interest thereon, will become an indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and City agree to other terms of payment, such amount will be payable upon notice from the City to Borrower requesting payment thereof, and will bear interest from the date of disbursement at the lesser of (a) ten percent (10%); or (b) the highest rate permissible under applicable law. Nothing contained in this paragraph will require the City to incur any expense or take any action hereunder.

7. Inspection. The City may make or cause to be made reasonable entries upon and inspections of the Security; provided that the City will give Borrower reasonable notice of inspection.

8. Forbearance by the City Not a Waiver. Any forbearance by the City in exercising any right or remedy will not be a waiver of the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by the City will not be a waiver of the City's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

9. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or any other document, or afforded by law or equity, and may be exercised concurrently, independently or successively.

10. Successors and Assigns Bound. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of the City and Borrower subject to the provisions of this Deed of Trust.

11. Joint and Several Liability. All covenants and agreements of Borrower shall be joint and several.

12. Notice. Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust will be given by certified mail, addressed to Borrower at the address shown in the first paragraph of this Deed of Trust or such other address as Borrower may designate by notice to the City as provided herein, and (b) any notice to the City will be given by express delivery, return receipt requested, to the City at 2965 Roosevelt Street, Suite

B, Carlsbad, CA 92009 , Attention: Director, Housing and Redevelopment or to such other address as the City may designate by notice to Borrower as provided above. Notice shall be effective as of the date received by City as shown on the return receipt.

13. Governing Law. This Deed of Trust shall be governed by the laws of the State of California.

14. Severability. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict will not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of the Deed of Trust and the Note are declared to be severable.

15. Captions. The captions and headings in this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

16. Nondiscrimination. The Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age, disability, sex, sexual orientation, marital status, ancestry or national origin in the sale, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Borrower or any person claiming under or through the Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, occupancy, or transfer of the Property. The foregoing covenant shall run with the land.

17. Nonliability for Negligence, Loss or Damage. Borrower acknowledges, understands and agrees that the relationship between Borrower and the City is solely that of borrower and lender, and that City neither undertakes nor assumes any responsibility for or duty to Borrower to select, review, inspect, supervise, pass judgment on, or inform Borrower of the quality adequacy or suitability of the Property or any other matter. City owes no duty of care to protect Borrower against negligent, faulty, inadequate or defective building or construction or any condition of the Property and Borrower agrees that neither Borrower, nor Borrower heirs, successors or assigns shall ever claim, have or assert any right or action against City for any loss, damage or other matter arising out of or resulting from any condition of the Security and will hold City harmless from any liability, loss or damage for these things.

18. Indemnity. Borrower agrees to defend, indemnify, and hold City harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorneys fees that City may incur as a direct or indirect consequence of:

- (a) the making of the loan evidenced by the Note to Borrower;
- (b) Borrower's failure to perform any obligations as and when required by the Note and Deed of Trust; or
- (c) the failure at any time of any of Borrower's certifications, representations, or warranties to be true and correct.

19. Acceleration; Remedies. Upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust or the Note, including, but not limited to, the covenants to pay, when due, any sums secured by this Deed of Trust. The City, prior to acceleration, will mail by express delivery, return receipt requested notice to Borrower specifying: (a) the breach; (b) the action required to cure such breach; (c) a date, not less than thirty (30) days from the date the notice is received by Borrower as shown on the return receipt, by which such breach is to be cured; and (d) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Security. The notice will also inform Borrower of Borrower's right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in

the notice, the City, at the City's option, may: (a) declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by California law; (b) either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Security and take possession thereof (or any part thereof) in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value or marketability of the Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof. The entering upon and taking possession of the Security shall not cure or waive any breach hereunder or invalidate any act done in response to such breach and, notwithstanding the continuance in possession of the Security, the City shall be entitled to exercise every right provided for in this Deed of Trust, or by law upon occurrence of any uncured breach, including the right to exercise the power of sale; (c) commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof; (d) deliver to Trustee a written declaration of default and demand for sale, pursuant to the provisions for notice of sale found at California Civil Code Sections 2924 *et seq.*, as amended from time to time; (e) or, exercise all other rights and remedies provided herein, in the instruments by which the Borrower acquires title to any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby, or provided by law.

The City shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph, including, but not limited to, reasonable attorney's fees.

20. Borrower's Right to Reinstate. Notwithstanding the City's acceleration of the sums secured by this Deed of Trust, Borrower will have the right to have any proceedings begun by the City to enforce this Deed of Trust discontinued at any time prior to five (5) days before sale of the Security pursuant to the power of sale contained in this Deed of Trust or at any time prior to entry of a judgment enforcing this Deed of Trust if: (a) Borrower pays City all sums which would be then due under this Deed of Trust and no acceleration under the Note has occurred; (b) Borrower cures all breaches of any other covenants or agreements of Borrower contained in this Deed of Trust; (c) Borrower pays all reasonable expenses incurred by City and Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust, and in enforcing the City's and Trustee's remedies, including, but not limited to, reasonable attorney's fees; and (d) Borrower takes such action as City may reasonably require to assure that the lien of this Deed of Trust, City's interest in the Security and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby will remain in full force and effect as if no acceleration had occurred.

21. Due on Transfer of the Property. Upon a Transfer (as defined in the Note) of the Property or any interest in it, the City shall require immediate payment in full of all sums secured by this Deed of Trust.

22. Reconveyance. Upon payment of all sums secured by this Deed of Trust, the City will request Trustee to reconvey the Security and will surrender this Deed of Trust and the Note to Trustee. Trustee will reconvey the Security without warranty and without charge to the person or persons legally entitled thereto. Such person or persons will pay all costs of recordation, if any.

23. Substitute Trustee. The City, at the City's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. The successor trustee will succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

24. Request for Notice. Borrower requests that copies of the notice of default and notice of sale be sent to Borrower at the address set forth in Section 12 above.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust as of the date first written above.

Borrower:

Borrower:

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

EXHIBIT A
Property Description

BUYER'S DISCLOSURE STATEMENT

(First Time Homebuyer Program)

The City of Carlsbad (the "City") administers a First Time Homebuyer Downpayment and Closing Cost Assistance program to help low-income households purchase homes in the City. As part of this program, the City is providing ☐ HOME Investment Partnerships Program funds ("HOME Funds") or ☐ City Affordable Housing Trust Fund funds (the "Affordable Housing Trust Funds") to assist you in purchasing your home. [Please check appropriate financing source.]

The City is loaning you money (the "City Loan") so that you can afford to buy your home. As a condition of the City Loan you are required to sign a Promissory Note and a Deed of Trust (the "City Loan Documents"). The Deed of Trust will be recorded against your property.

This Buyer's Disclosure Statement explains the major provisions of the Promissory Note and the Deed of Trust to make sure that you understand their requirements. You should, of course, read the City Loan Documents yourself and become completely familiar with them.¹

I. PRIMARY RESIDENCE AND CONTROLS ON RENTING OR LEASING YOUR HOME

Your home must be your main place of residence. This means that you must live in the house no less than ten (10) months out of each calendar year. In addition, you cannot rent-out your home.

II. REPAYMENT OF CITY LOAN

Your City Loan is a "deferred" loan. This means that you do not have to make payments on the City Loan as long as you own the home and you do not violate any of the terms of the Promissory Note or the Deed of Trust. However, if you sell or transfer the home or if you violate the terms of the loan documents, the loan will be immediately due and you will have to pay it back. The City Loan carries a "contingent interest" which is described in the next section.

A. Contingent Interest. As mentioned earlier, the City wants to help low-income persons and families who would not be able to buy homes without additional financial assistance. City resources, however, are limited. You benefited from City financial help; it is only fair that you repay the City in proportion to that benefit. That is why the City has included "contingent interest" in your loan repayment. In general, contingent interest is a percentage of the difference between the original purchase price of your home and the price at which you sell it. This difference is called the "appreciation amount."

The contingent interest percentage is figured by dividing the amount of the City Loan by the original purchase price that you paid for your home. In addition, the City will provide a 25% credit to you for any improvements that you might make to your home. For example, if the City Loan provided six percent (6%) of the original purchase price of your home, when you sell the home, six percent (6%) of the appreciation amount multiplied by 75% (leaving you with a 25% credit) is owed to the City as contingent interest. Example 1 sets this out with numbers.

EXAMPLE 1 The original purchase price you paid for the home when you bought it was \$400,000. Your City Loan is \$20,000. You sell your home after living in it for 10 years for \$500,000.

¹ **Numerical examples are included in this Disclosure Statement to help you better understand the concepts, terms, and provisions of your City Loan. Please be aware that these are simply to show how things work and that they are not intended to represent your specific situation. If you follow along with a calculator, you may not get exactly the same answers. Any differences are probably due to rounding.**

Contingent Interest: $(\$20,000 \div \$400,000) * 75\% = 3.75\%$

This means that the City will receive 3.75% of the appreciation on your home which is the difference between the original purchase price of your home and the price at which you sell it. If we use \$500,000 as the actual sales price, the following would result:

Resale Price	\$500,000
Original Purchase Price	- <u>400,000</u>
Total Appreciation Amount	\$ 100,000
City Share of Appreciation (3.75% of \$100,000)	\$ 3,750

Under these assumptions, the total amount you would owe the City is the following:

City Loan	\$ 20,000
City Share of Appreciation	<u>+ 3,750</u>
TOTAL AMOUNT YOU OWE CITY	\$ 23,750

In cases where transfer of your home to another person is by means other than sale (with the exception of a creditor taking title), the appreciation is the difference between the original purchase price and the Fair Market Value of the home at the time of transfer. The Fair Market Value is determined as set out in Section II.C below entitled Fair Market Value.

B. Forgiveness. If you own your home for the entire term of the City Loan and you are not in violation of any of the provisions of your City Loan Documents, the City has agreed to forgive any Contingent Interest that you owe at the end of the term.

In addition, if your house is sold at a price below the original purchase price resulting in a depreciation amount and you have kept your home in good repair, the City will reduce the amount that you owe under the terms of your City Loan. In other words, in this type of situation, you would owe a lesser amount. Example 2 sets this out with numbers.

EXAMPLE 2 You sell your home after living in it for 3 years. The original purchase price you paid for the house was \$400,000. The price you are able to get for the house is \$300,000. The City Loan was \$20,000 (the principal amount) and the Contingent Interest is 3.75% (\$20,000 \times 3.75%).

Resale Price	\$300,000	
Original Purchase Price	<u>-400,000</u>	
Loss on Sale of Home	-\$ 100,000	This is a negative number.

Since the resale price of the house is less than the original purchase price (and the result is a negative number), the City will reduce the principal amount of your loan that you owe by the Contingent Interest percentage, as follows:

Loss on Sale of Home	\$ 100,000
Contingent Interest (3.75%)	<u>x 0.0375</u>
Amount by Which City Home Loan Is Reduced	\$ 3,750
Original City Loan Amount	\$ 20,000
Reduction Amount	<u>- 3,750</u>
New Principal Amount Owed (instead of \$20,000)	\$ 16,250

C. Fair Market Value. Under the terms of the Promissory Note, the Fair Market Value can be determined in one of two ways. First, it can be established by a real estate appraiser designated by the City and paid for by you. If possible, the appraisal will be based on the sales prices of homes similar to yours which are sold in your area during the preceding three-month period. The Promissory Note also allows you and the City to set the Fair Market Value of your home by mutual agreement instead of relying on an appraiser. Both you and the City would have to agree to this particular method (instead of hiring an appraiser) and to the final Fair Market Value amount. If you and the City fail to agree on the Fair Market Value, either you or the City can require use of the appraisal method.

III. PREPAYMENT OF CITY LOAN

You have the right to prepay part or all of the City Loan. If you prepay all of the loan, contingent interest on your loan will be due based on the Fair Market Value of your home at the time of prepayment.

If you prepay only a part of the City Loan, the payment that you make will be applied to both the amount of principal and the amount of Contingent Interest you owe based on the following calculations:

<u>Amount of Prepayment Applied to Principal</u>	<u>Amount of Prepayment Applied to Contingent Interest</u>
Principal Amount of City Loan Divided by (Total Principal + Interest Due at Time of Prepayment)	City Contingent Interest Divided by (Total Principal + Interest Due at Time of Prepayment)

In addition, your Contingent Interest percentage will change because you paid off a portion of the original City Loan amount (the principal). Example 3 shows how this would work.

EXAMPLE 3 You have a City Loan in the amount of \$20,000 (the principal). The original purchase price of your home was \$400,000. Contingent Interest is 3.75% (the result of $\$20,000 \div \$400,000 \times 75\%$). You decide to prepay \$5,000 of the loan. At the time of prepayment, the fair market value of the home is \$450,000.

Fair Market Value	\$ 450,000
Original Purchase Price	<u>-400,000</u>
Total Appreciation Amount (established by new appraisal)	\$ 50,000
City Share of Appreciation (Contingent Interest = 3.75%)	\$ 1,875

Your \$5,000 prepayment is applied to principal and Contingent Interest in the following manner:

<u>Amount of Prepayment Applied to Principal</u>	<u>Amount of Prepayment Applied to Contingent Interest</u>
$\$20,000 \div (\$20,000 + \$1,875)$	$\$1,875 \div (\$20,000 + \$1,875)$
$\$20,000 \div 21,875$	$\$1,875 \div 21,875$
0.91 or 91% of the prepayment of \$5,000 is applied to principal or \$4,550	0.09 or 9% of the prepayment of \$5,000 is applied to interest or \$450

Principal Amount Left Owning: $\$20,000 - \$4,550 = \$15,450$

New Contingent Interest:
(for future loan repayment)

$(\text{New Principal Amount} \div \text{Original Purchase Price}) \times 75\%$

$(\$15,450 \div \$400,000) \times 75\%$

New Contingent Interest = 3%
(for future loan repayment)

IV. DEFAULT PROVISIONS

If you violate any provisions of the City Loan Documents, you are considered to be in default under your City Loan. Also, if you default under any other loan on the home, such as your first mortgage loan, you would also be considered to be in default under the City Loan. If you do not correct the violation, the City could require you to repay the City Loan. The City could also go to court and get a court order to enforce the provisions of the City Loan Documents. In addition, if you fail to meet the requirements of City Loan, the City has the right to foreclose and take your home.

V. REFINANCING FIRST MORTGAGE LOAN; JUNIOR LOANS AND EQUITY LINES OF CREDIT

Any amount received from the refinancing of your first mortgage loan can be no more than the outstanding balance of your first mortgage at the time of refinancing (plus refinancing and closing costs). In addition, the replacement loan may only be made by a bank, credit union or savings and loan association approved in advance by the City. If you choose to refinance your first mortgage for a larger amount or through a lender other than a bank, credit union or savings and loan association approved in advance by the City, you will be required to repay the principal and contingent interest owed to the City.

Junior loans and equity lines of credit are not permitted to be recorded against title to your home.

VI. RIGHT OF ENTRY

Under the terms of the City Loan Documents, you agree to allow the City and its authorized representatives the right to enter your home at reasonable times and in a reasonable manner in order to inspect the home to determine that you are meeting the provisions of your City Loan.

* * * * *

Please sign the enclosed copy of this Buyer's Disclosure Statement in the space provided below and return it to: The City of Carlsbad at 2965 Roosevelt Street, Suite B, Carlsbad, CA 92009 , Attention: Director, Housing and Redevelopment.

I have read and understand the above Buyer's Disclosure Statement.

By: _____
Signature of Buyer

Date

Printed Name of Buyer

By: _____
Signature of Buyer

Date

Printed Name of Buyer

EXHIBIT H

SEQUENCE OF LOAN PROCESS

1. HOMEBUYER Applicant
 - Completes Homebuyer Education course.
 - With Participating Lender, determines eligibility for the City Loan.
 - Selects a Home that is vacant or owner-occupied.
 - Makes an offer to the seller of the Home, which is accepted pending financing.
 - Reviews City Loan requirements with Participatory Lender.
 - Applies to Participating Lender for First Mortgage Loan and City Loan.
 - Participating Lender gives Applicant a City Loan Application.
2. PARTICIPANT
 - Starts processing for First Mortgage Loan and City Loan.
 - Verifies Applicant's eligibility for City Loan. Prepares and forwards Application Package to CHW.
 - Underwrites and pre-approves Applicant for City Loan.
 - Processes, underwrites and approves Applicant for First Mortgage Loan.
 - Requests that CHW inspect the Home for Housing Quality Standards and lead based paint Hazards.
3. COMMUNITY HOUSINGWORKS STAFF AND CERTIFIED LEAD BASED PAINT PROFESSIONALS:
 - A Voluntary Acquisition Letter in the form attached as Exhibit L is sent via registered certified receipt mail to seller of the Home in compliance with HUD regulations.
 - Inspects selected Home for Housing Quality Standards and lead based paint hazards and notifies lender, Applicant and escrow officer or title company of work needed to comply with the requirements of the First-Time Homebuyer Program.
 - CHW notifies Buyer, Participating Lender and Escrow within 15 days of lead-based hazard determination (if applicable), and provides Buyer, Lender, and escrow officer or title officer with a copy of any/all risk assessment report(s).

CHW issues Commitment to Participating Lender after reviewing and approving the Application Package for compliance with the First-Time Homebuyer Program and after verifying that the Home meets Housing Quality Standards and lead based paint requirements. (NOTE: CHW may choose to issue a Commitment pending receipt of missing documentation and completion of work to cure Home of code violations and/or lead-based paint hazards.)

 - Work to cure Home defects and/or lead-based paint hazards takes place by Certified Lead-Based Paint Professionals (if applicable).
 - Re-inspection and clearance of Home takes place to ensure Housing Quality Standards and elimination of lead-based paint hazards.
4. ESCROW, PARTICIPATING LENDER & CHW
 - Coordinates signing of all closing documents by seller and Applicant.
5. PARTICIPATING LENDER
 - Sends Closing Package and all outstanding documentation (per the Commitment) to CHW prior to Commitment expiration.
 - Funds First Mortgage loan to escrow and send First Mortgage Loan documents to escrow and title for recordation.
6. COMMUNITY HOUSINGWORKS
 1. Receives and reviews Closing Package (outstanding documentation, original documents, and certified/executed copies).
 2. Wires City Loan funds to escrow and ensures that the City Loan Deed of Trust and escrow instructions and all other documents necessary to close the City Loan are in escrow.
7. HOMEBUYER
 - Receives City Loan.

- Signs an Annual Affidavit of Owner-Occupancy.

EXHIBIT I

CITY LOAN QUALITY COMMITMENT POLICY

The City and Community Housing Works invites the mortgage lending community to participate in the First-Time Homebuyer Program. Participation will continue to be open to those mortgage lenders who uphold the following work standards:

- Participating Lender company personnel receive training for the program before being assigned to prepare loan packages. This training includes: CHW training sessions (if applicable); knowledge of this Program Letter; knowledge of CHW-provided update letters.
- Each Participating Lender enrolled in the program designates a contact person for each participating branch. The contact person's responsibilities include: 1) attending at least one training session per year (if applicable); 2) notifying CHW staff of any re-assignment of the Participating Lender contact person and/or changes in company location and or status.
- Expiration of a Commitment without submission of the required paperwork must be addressed in a timely manner by submitting the documents necessary to make the file current, closing the First Mortgage Loan and City Loan, or canceling the pending City Loan with notification to the CHW.
- The lender must obtain the Commitment to issue the City Loan before funding the First Mortgage Loan.
- Each Participating Lender ensures that the closing or funding department of their company is aware of their obligations under the First-Time Homebuyer and is prepared to submit all necessary closing documentation in a timely manner.
- Applicants are treated fairly, receiving a full and accurate explanation about the First-Time Homebuyer Loan and the City loan. For questions that the Participating Lender cannot answer, the Applicant is referred to CHW.

EXHIBIT J

INCOME VERIFICATION

EXHIBIT K

ASSET VERIFICATION FORM

The City of Carlsbad is required to verify the financial eligibility of anyone receiving assistance under the Affordable Housing Program. To comply with this requirement, we ask your cooperation in supplying the information requested in the Certification below. This information will be held in strict confidence and used only for the purpose of establishing your family eligibility.

CERTIFICATION

I, _____, do hereby certify that the following Asset accounts are the only assets that I currently own. Please include all accounts including those not held in United States Financial Institutions.

ASSETS Accounts	Name of Account	Account No.
Type: _____	_____	_____
Type: _____	_____	_____
Type: _____	_____	_____
Type: _____	_____	_____
Type: _____	_____	_____
Type: _____	_____	_____
Type: _____	_____	_____

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

Signature _____ Date _____

Witness Signature _____ Date _____

EXHIBIT L

FORM OF VOLUNTARY ACQUISITION LETTER

November 3, 2008

ARM'S LENGTH TRANSACTION PURCHASE OFFER NOTICE
Disclosure to Seller with Voluntary, Arm's Length Purchase Offer

Dear _____:

This is to inform you that _____ (Agency/Person) would like to purchase the property located at _____ (Street Address and Parcel Number), if a satisfactory agreement can be reached. We are prepared to pay \$_____ for clear title to the property under the conditions described in the attached proposed contract of sale.

Because Federal HOME funds may be used in the purchase, however, we are required to disclose to you the following information:

1. The sale is voluntary. If you do not wish to sell, the _____ (Agency/Person) will not acquire our property. The _____ (Agency/Person) does not have the power to acquire your property by condemnation (i.e. eminent domain) (will not use the power of eminent domain to acquire the property).
2. We estimate the fair market value of the property to be \$_____.

Since the purchase would be a voluntary, arm's length transaction, you would not be eligible for relocation payments or other relocation assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), or any other law or regulation. Also, as indicated in the contract of sale, this offer is made on the condition that no tenant will be permitted to occupy the property before the sale is completed.

Again, please understand that if you do not wish to sell your property, we will take no further action to acquire it. If you are willing to sell the property under the conditions described in the attached contract of sale, please sign the contract and return it to us.

If you have any questions about this matter, please contact Frank Boensch at 760-2818 or Courtney Enriquez at 760-434-2812.

Sincerely,
Frank Boensch
Senior Management Analyst
City of Carlsbad, Housing & Neighborhood Services